

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Coloma Charter Township	County Berrien
Audit Date March 31, 2006	Opinion Date July 13, 2006	Date Accountant Report Submitted To State: September 18, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

# **Charter Township of Coloma Berrien County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2006**

# Charter Township of Coloma, Michigan

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## Independent Auditor's Report

To the Members of the Township Board  
Charter Township of Coloma  
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Coloma, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Coloma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Coloma, Michigan as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

July 13, 2006

A member of



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# **Charter Township of Coloma, Michigan**

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## **Management's Discussion and Analysis**

Our discussion and analysis of Charter Township of Coloma, Michigan's financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Charter Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

The Township continued the Water Extension Project. During the year, Phases I and II were completed at a total cost of approximately \$2,760,000.

Phase I of the Water Connections Project began during fiscal 2006 and is still ongoing at year end. Approximately \$350,000 has been spent on this phase of the Water Connections Project to date.

State grant revenue was received during the year to cover the costs of the Water Extension and Water Connections projects. Approximately \$1,900,000 of grant revenue was received during the fiscal year.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the Charter Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds.

# Charter Township of Coloma, Michigan

## Management's Discussion and Analysis (Continued)

### The Charter Township as a Whole

The following table shows, in a condensed format, the current year's net assets comparable to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 2,132,058	\$ 2,087,872	\$ 1,895,643	\$ 1,939,280	\$ 4,027,701	\$ 4,027,152
Noncurrent assets	<u>2,325,700</u>	<u>2,119,198</u>	<u>6,709,717</u>	<u>5,113,497</u>	<u>9,035,417</u>	<u>7,232,695</u>
Total assets	4,457,758	4,207,070	8,605,360	7,052,777	13,063,118	11,259,847
<b>Liabilities</b>						
Current liabilities	249,838	86,949	246,228	290,196	496,066	377,145
Long-term liabilities	<u>1,164,179</u>	<u>1,130,409</u>	<u>1,220,000</u>	<u>1,270,000</u>	<u>2,384,179</u>	<u>2,400,409</u>
Total liabilities	<u>1,414,017</u>	<u>1,217,358</u>	<u>1,466,228</u>	<u>1,560,196</u>	<u>2,880,245</u>	<u>2,777,554</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	1,036,307	834,244	5,206,619	3,552,985	6,242,926	4,387,229
Restricted	654,640	739,632	-	-	654,640	739,632
Unrestricted	<u>1,352,794</u>	<u>1,415,836</u>	<u>1,932,513</u>	<u>1,939,596</u>	<u>3,285,307</u>	<u>3,355,432</u>
Total net assets	<u><b>\$ 3,043,741</b></u>	<u><b>\$ 2,989,712</b></u>	<u><b>\$ 7,139,132</b></u>	<u><b>\$ 5,492,581</b></u>	<u><b>\$ 10,182,873</b></u>	<u><b>\$ 8,482,293</b></u>

The Charter Township's combined net assets increased 20 percent from a year ago - from \$8.5 million to \$10.2 million. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets increased 2 percent, while business-type activities increased 30 percent.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, stands at \$1.3 million for the governmental activities. This represents approximately 72 percent of current year expenditures. This is within the targeted range set by the Charter Township during its last budget process.

# Charter Township of Coloma, Michigan

## Management's Discussion and Analysis (Continued)

### The Charter Township as a Whole (Continued)

The following table shows the current year's changes in net assets, comparable to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 109,919	\$ 75,642	\$ 356,910	\$ 347,587	\$ 466,829	\$ 423,229
Operating grants and contributions	165,000	155,000	-	-	165,000	155,000
Capital grants and contributions	-	-	1,882,644	506,226	1,882,644	506,226
General revenue:						
Property taxes	937,199	914,340	-	-	937,199	914,340
State-shared revenue	397,936	402,319	-	-	397,936	402,319
Unrestricted investment earnings	47,189	13,967	70,772	34,845	117,961	48,812
Landfill tipping fees	56,633	64,999	-	-	56,633	64,999
Other revenue	152,115	126,763	-	-	152,115	126,763
Total revenue	1,865,991	1,753,030	2,310,326	888,658	4,176,317	2,641,688
<b>Program Expenses</b>						
General government	493,728	503,384	-	-	493,728	503,384
Public safety	1,181,672	1,144,593	-	-	1,181,672	1,144,593
Public works	48,227	272,104	-	-	48,227	272,104
Economic development	37,469	38,960	-	-	37,469	38,960
Recreation and culture	2,882	3,217	-	-	2,882	3,217
Interest on long-term debt	47,984	49,242	-	-	47,984	49,242
Sewer	-	-	663,775	674,221	663,775	674,221
Total program expenses	1,811,962	2,011,500	663,775	674,221	2,475,737	2,685,721
<b>Change in Net Assets</b>	<b>\$ 54,029</b>	<b>\$ (258,470)</b>	<b>\$ 1,646,551</b>	<b>\$ 214,437</b>	<b>\$ 1,700,580</b>	<b>\$ (44,033)</b>

# **Charter Township of Coloma, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The Charter Township's total governmental revenues increased by approximately \$113,000, despite decreases in state-shared revenue. The increase, which represents 6 percent, was primarily due to the continuing increase in property taxes and a significant increase in investment income due to rising interest rates.

### **Business-type Activities**

The Charter Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a jointly owned and operated sewage treatment plant.

The Sewer Fund experienced a significant increase in revenue during the current year. This increase is largely due to the grant funds received from the State of Michigan for Water Extension and Water Connections Projects. Service charges increased 3 percent while related expenses decreased 2 percent. Investment income doubled and interest expense decreased slightly, resulting in more nonoperating net revenue.

### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Charter Township originally budgeted operational expenditures of \$694,894. Charter Township departments overall expended amounts slightly above budget, resulting in total expenditures of \$4,541 above budget in the General Fund.

- State-shared revenue, our largest revenue source, was reduced by the State of Michigan by approximately an additional \$3,500 (1 percent) this fiscal year.
- The General Fund transferred \$115,000 to the Police Fund in the current year, approximately \$34,000 more than in the prior fiscal year. This helped to fund the purchase of capital equipment.
- As a result of the preceding transactions, the General Fund's operations resulted in a current year loss of approximately \$25,000. However, ending fund balance remains strong at over \$1.25 million.

### **Capital Asset and Debt Administration**

During the fiscal year, the Township capitalized an additional \$1.80 million of water lines, water connections, professional services, and other assets related to the ongoing Water Extension and Water Connections Projects. Various road improvements placed in service amounted to \$244,000. In addition, a lift station generator asset was added at a cost of \$29,000. Two police vehicles, one new and one used, were also added to the fleet at a cost of \$32,000.



# **Charter Township of Coloma, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors**

The Charter Township has a significant amount of funds on deposit with financial institutions, and interest rates on these funds have increased significantly over the past year. The Charter Township expects these rates to remain at these higher levels, so interest income should continue to increase over the next year. The Charter Township's General Fund has been negatively affected over the past five years by the State's cuts in revenue sharing. The Charter Township's management continues to reduce expenses as much as possible in reaction to this reduction in revenues.

Phase III of the Water Extension Project is scheduled to begin in August 2006. The Charter Township has contracted with Balkema Excavating for approximately \$860,000 for this phase of the extension. The Charter Township has contracted with Compton, Inc. for the remainder of Phase I and Phase II of the Water Connections Project. The Charter Township will also begin a Water Tower Construction Project during fiscal 2007, which is projected to cost approximately \$500,000 - \$600,000. All of these projects are funded by state grants.

### **Contacting the Charter Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Charter Township's finances and to show the Charter Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Charter Township office.

# Charter Township of Coloma, Michigan

## Statement of Net Assets March 31, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash (Note 3)	\$ 1,661,862	\$ 1,605	\$ 1,663,467
Investments (Note 3)	370,918	1,512,402	1,883,320
Receivables - Net:			
Taxes	63,679	-	63,679
Customers	-	76,837	76,837
Special assessments	13,731	160,918	174,649
Other	21,868	-	21,868
Due from other governmental units	-	82,464	82,464
Prepaid costs and other assets	-	61,417	61,417
Investment in joint ventures (Note 1)	288,394	233,098	521,492
Capital assets - Net (Note 5)	<u>2,037,306</u>	<u>6,476,619</u>	<u>8,513,925</u>
Total assets	4,457,758	8,605,360	13,063,118
<b>Liabilities</b>			
Accounts payable	205,878	41,789	247,667
Accrued and other liabilities	8,359	82,421	90,780
Due to other governmental units	-	18,750	18,750
Deferred revenue (Note 4)	-	53,268	53,268
Accumulated employee benefits:			
Due within one year	19,878	-	19,878
Due in more than one year	178,903	-	178,903
Long-term debt (Note 7):			
Due within one year	15,723	50,000	65,723
Due in more than one year	<u>985,276</u>	<u>1,220,000</u>	<u>2,205,276</u>
Total liabilities	<u>1,414,017</u>	<u>1,466,228</u>	<u>2,880,245</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,036,307	5,206,619	6,242,926
Restricted:			
Public Safety Fund	360,412	-	360,412
Road Fund	284,672	-	284,672
Debt Service Fund	9,556	-	9,556
Unrestricted	<u>1,352,794</u>	<u>1,932,513</u>	<u>3,285,307</u>
Total net assets	<u>\$ 3,043,741</u>	<u>\$ 7,139,132</u>	<u>\$ 10,182,873</u>

# Charter Township of Coloma, Michigan

## Statement of Activities Year Ended March 31, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Functions/Programs</b>							
Governmental activities:							
General government	\$ 493,728	\$ -	\$ -	\$ -	\$ (493,728)	\$ -	\$ (493,728)
Public safety	1,181,672	109,919	165,000	-	(906,753)	-	(906,753)
Public works	48,227	-	-	-	(48,227)	-	(48,227)
Recreation and culture	2,882	-	-	-	(2,882)	-	(2,882)
Economic development	37,469	-	-	-	(37,469)	-	(37,469)
Interest on long-term debt	47,984	-	-	-	(47,984)	-	(47,984)
Total governmental activities	1,811,962	109,919	165,000	-	(1,537,043)	-	(1,537,043)
Business-type activities - Sewer	663,775	356,910	-	1,882,644	-	1,575,779	1,575,779
Total primary government	<u>\$ 2,475,737</u>	<u>\$ 466,829</u>	<u>\$ 165,000</u>	<u>\$ 1,882,644</u>	(1,537,043)	1,575,779	38,736
General revenues:							
Property taxes					937,199	-	937,199
State-shared revenues					397,936	-	397,936
Unrestricted investment earnings					47,189	70,772	117,961
Landfill tipping fees					56,633	-	56,633
Miscellaneous					152,115	-	152,115
Total general revenues					1,591,072	70,772	1,661,844
<b>Change in Net Assets</b>					54,029	1,646,551	1,700,580
<b>Net Assets</b> - Beginning of year					2,989,712	5,492,581	8,482,293
<b>Net Assets</b> - End of year					<u>\$ 3,043,741</u>	<u>\$ 7,139,132</u>	<u>\$ 10,182,873</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of Coloma, Michigan

## Governmental Funds Balance Sheet March 31, 2006

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total Governmental Funds
<b>Assets</b>					
Cash (Note 3)	\$ 1,081,394	\$ 209,446	\$ 370,390	\$ 632	\$ 1,661,862
Investments (Note 3)	155,813	115,105	100,000	-	370,918
Receivables:					
Taxes	10,683	41,956	11,040	-	63,679
Special assessments	-	-	13,731	-	13,731
Other	21,822	36	10	-	21,868
Due from other funds (Note 6)	-	-	-	8,924	8,924
Total assets	<u>\$ 1,269,712</u>	<u>\$ 366,543</u>	<u>\$ 495,171</u>	<u>\$ 9,556</u>	<u>\$ 2,140,982</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 4,879	\$ 3,440	\$ 197,559	\$ -	\$ 205,878
Accrued and other liabilities	5,668	2,691	-	-	8,359
Due to other funds (Note 6)	8,924	-	-	-	8,924
Deferred revenue (Note 4)	-	-	12,940	-	12,940
Total liabilities	19,471	6,131	210,499	-	236,101
<b>Fund Balances - Unreserved, reported in</b>					
General Fund	1,250,241	-	-	-	1,250,241
Public Safety Fund	-	360,412	-	-	360,412
Road Fund	-	-	284,672	-	284,672
Debt Service Fund	-	-	-	9,556	9,556
Total fund balances	<u>1,250,241</u>	<u>360,412</u>	<u>284,672</u>	<u>9,556</u>	<u>1,904,881</u>
Total liabilities and fund balances	<u>\$ 1,269,712</u>	<u>\$ 366,543</u>	<u>\$ 495,171</u>	<u>\$ 9,556</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,037,306
Investments in joint ventures are recorded in the statement of net assets, but not recorded in the	288,394
Special assessment receivables are expected to be collected over several years and are not to pay for current year expenditures	12,940
funds	<u>(1,199,780)</u>
Net assets of governmental activities	<u>\$ 3,043,741</u>

# Charter Township of Coloma, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 109,350	\$ 654,160	\$ 173,689	\$ -	\$ 937,199
Licenses and permits	91,869	13,748	-	-	105,617
State sources	397,091	845	-	-	397,936
Local sources	-	165,000	-	-	165,000
Landfill tipping fees	56,633	-	-	-	56,633
Charges for services	10,255	-	-	-	10,255
Fines and forfeitures	-	23,061	-	-	23,061
Interest and rentals	35,958	7,553	10,005	-	53,516
Other	88,562	13,646	3,666	60,000	165,874
Total revenue	789,718	878,013	187,360	60,000	1,915,091
<b>Expenditures</b>					
Current:					
General government	466,869	-	-	-	466,869
Public safety	161,534	1,007,695	-	-	1,169,229
Public works	31,441	-	255,200	-	286,641
Recreation and culture	2,882	-	-	-	2,882
Economic development	37,469	-	-	-	37,469
Debt service	-	7,253	-	55,217	62,470
Total expenditures	700,195	1,014,948	255,200	55,217	2,025,560
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	89,523	(136,935)	(67,840)	4,783	(110,469)
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	115,000	-	-	115,000
Transfers out (Note 6)	(115,000)	-	-	-	(115,000)
Total other financing sources (uses)	(115,000)	115,000	-	-	-
<b>Net Change in Fund Balances</b>	(25,477)	(21,935)	(67,840)	4,783	(110,469)
<b>Fund Balances - Beginning of year</b>	1,275,718	382,347	352,512	4,773	2,015,350
<b>Fund Balances - End of year</b>	<u>\$ 1,250,241</u>	<u>\$ 360,412</u>	<u>\$ 284,672</u>	<u>\$ 9,556</u>	<u>\$ 1,904,881</u>

# Charter Township of Coloma, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (110,469)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Current year capital additions	308,024
Current year allocation of depreciation	(115,104)
Current year net capital disposals	(5,344)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (2,683)

Increase in equity interest in joint ventures 18,926

Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 14,487

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (53,808)

**Change in Net Assets of Governmental Activities** \$ 54,029

# Charter Township of Coloma, Michigan

## Proprietary Fund Statement of Net Assets March 31, 2006

	Enterprise - Sewer
<b>Assets</b>	
Current assets:	
Cash (Note 3)	\$ 1,605
Investments (Note 3)	1,512,402
Receivables - Net:	
Customer	76,837
Special assessments	160,918
Due from other governmental units	82,464
Prepaid costs and other assets	61,417
Total current assets	1,895,643
Noncurrent assets:	
Investment in joint venture (Note 1)	233,098
Capital assets (Note 5)	6,476,619
Total noncurrent assets	6,709,717
Total assets	8,605,360
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	41,789
Accrued and other liabilities	82,421
Due to other governmental units	18,750
Deferred revenue (Note 4)	53,268
Current portion of long-term debt (Note 7)	50,000
Total current liabilities	246,228
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	1,220,000
Total liabilities	1,466,228
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	5,206,619
Unrestricted	1,932,513
Total net assets	<u><u>\$ 7,139,132</u></u>

# Charter Township of Coloma, Michigan

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

	Enterprise - Sewer
<b>Operating Revenue</b>	
Sewage disposal charges	\$ 339,218
Penalty charges	17,692
Total operating revenue	356,910
<b>Operating Expenses</b>	
Operation and maintenance	312,400
Depreciation and amortization	281,489
Total operating expenses	593,889
<b>Operating Loss</b>	(236,979)
<b>Nonoperating Revenue (Expense)</b>	
Investment income	70,772
Interest expense	(69,886)
Total nonoperating revenue	886
<b>Loss - Before contributions</b>	(236,093)
<b>Capital Contributions - Capital grants</b>	1,882,644
<b>Change in Net Assets</b>	1,646,551
<b>Net Assets - Beginning of year</b>	5,492,581
<b>Net Assets - End of year</b>	<u><u>\$ 7,139,132</u></u>



# Charter Township of Coloma, Michigan

## Proprietary Fund Statement of Cash Flows Year Ended March 31, 2006

	Enterprise - Sewer
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 350,671
Payments to suppliers	(329,309)
Payments to employees	(38,398)
Net cash used in operating activities	(17,036)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Collection of customer assessments	13,800
Purchase of capital assets	(1,897,551)
Proceeds from capital grants	1,983,806
Principal and interest paid on capital debt	(120,928)
Net cash used in capital and related financing activities	(20,873)
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	78,186
Purchase of investment securities	(51,201)
Net cash provided by investing activities	26,985
<b>Net Decrease in Cash</b>	(10,924)
<b>Cash - Beginning of year</b>	12,529
<b>Cash - End of year</b>	<u><u>\$ 1,605</u></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (236,979)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	281,489
Changes in assets and liabilities:	
Receivables	(5,553)
Accounts payable	(57,103)
Accrued and other liabilities	(16,954)
Due to other governmental units	18,750
Deferred revenue	(686)
Net cash used in operating activities	<u><u>\$ (17,036)</u></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2006, the Charter Township's investment in the joint venture decreased by \$7,414. There were no noncash capital or financing activities.

# **Charter Township of Coloma, Michigan**

## **Notes to Financial Statements March 31, 2006**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Charter Township of Coloma, Michigan (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Charter Township of Coloma, Michigan:

#### **Reporting Entity**

Charter Township of Coloma, Michigan is governed by an elected seven-member board. The accompanying financial statements present the Charter Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### **Jointly Governed Organizations**

The Charter Township, along with the City of Coloma and Hagar Township, is a member of the Coloma - Hagar Joint Fire Board. The Fire Board is governed by an administrative board of six members, appointed by the City and Townships. The Charter Township's equity interest in the Fire Board of \$275,219 is recorded in the government-wide financial statements. Complete financial statements for the Fire Board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is a participant with the City of Coloma in a joint venture to provide for the administration and operations of the cemetery. Upon dissolution of the Cemetery Board, the net assets will be shared on a pro rata basis as follows: 60 percent to Charter Township of Coloma and 40 percent to City of Coloma. The Cemetery Board is governed by an administrative board of five members consisting of three members from the Charter Township of Coloma and two from the City of Coloma. The Charter Township's share of fixed assets and the equity interest of \$13,175 are recorded on the government-wide financial statements. Complete financial statements for the Cemetery Board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is also a participant with the City of Coloma, the City of Watervliet, and Watervliet Township in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Paw Paw Lake Regional Joint Sewage Disposal Board was created for this purpose. Upon dissolution of the board, the net assets of the Joint Sewage Disposal Board will be shared equally among the four municipalities. The Charter Township's equity interest of \$233,098 is recorded in the Sewer Fund. Complete financial statements for the board can be obtained from the Charter Township of Coloma supervisor's office.

# **Charter Township of Coloma, Michigan**

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## **Notes to Financial Statements March 31, 2006**

### **Note I - Summary of Significant Accounting Policies (Continued)**

The Charter Township does not anticipate any additional benefit or burden related to its interest in these entities.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Charter Township of Coloma, Michigan

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## Notes to Financial Statements March 31, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, if special assessments and grant reimbursements will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

**General Fund** - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Public Safety Fund** - The Public Safety Fund accounts for the activities of the police department, the fire department, and ambulance related expenditures.

**Road Fund** - The Road Fund accounts for the resources of tax revenues for the purpose of road maintenance, repairs, and construction projects.

The Charter Township reports the following major proprietary fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sanitary sewer system, a service provided to citizens that is financed primarily by user charges for the provision of that service.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

# **Charter Township of Coloma, Michigan**

## **Notes to Financial Statements March 31, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's enterprise function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Charter Township totaled \$138.9 million, on which taxes levied consisted of 0.7528 mills for operating purposes, 4.7148 mills for public safety, and 1.2407 mills for roads. This resulted in \$109,000 for operating, \$654,000 for public safety, and \$174,000 for roads. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, and Enterprise Fund is generally allocated to each fund using a weighted average method.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land improvements	20 years
Water and sewer distribution systems	40 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 10 years
Office equipment	5 to 15 years
Other tools and equipment	3 to 10 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2005	\$ (90,559)
Current year building permit revenue	62,145
Related expenses - Direct costs	<u>65,213</u>
Shortfall at March 31, 2006	<u>\$ (93,627)</u>

# **Charter Township of Coloma, Michigan**

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## **Notes to Financial Statements March 31, 2006**

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Charter Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with the state statutory authority as listed above. The Charter Township's deposits and investment policies are also in accordance with statutory authority.

The Charter Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$2.7 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 12,940	\$ -
Advance utility billings	-	53,268
Total	<u>\$ 12,940</u>	<u>\$ 53,268</u>

### Note 5 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 123,317	\$ -	\$ -	\$ 123,317
Capital assets being depreciated:				
Infrastructure	-	243,730	-	243,730
Land improvements	24,448	-	-	24,448
Buildings and improvements	1,511,485	27,159	-	1,538,644
Vehicles	187,629	32,297	47,901	172,025
Office equipment	132,954	4,838	-	137,792
Equipment	<u>262,562</u>	<u>-</u>	<u>-</u>	<u>262,562</u>
Subtotal	2,119,078	308,024	47,901	2,379,201
Accumulated depreciation:				
Land improvements	2,647	1,222	-	3,869
Buildings and improvements	63,322	30,682	-	94,004
Vehicles	143,163	20,927	42,557	121,533
Office equipment	62,756	25,898	-	88,654
Equipment	<u>120,777</u>	<u>36,375</u>	<u>-</u>	<u>157,152</u>
Subtotal	<u>392,665</u>	<u>115,104</u>	<u>42,557</u>	<u>465,212</u>
Net capital assets being depreciated	<u>1,726,413</u>	<u>192,920</u>	<u>5,344</u>	<u>1,913,989</u>
Net capital assets	<u>\$ 1,849,730</u>	<u>\$ 192,920</u>	<u>\$ 5,344</u>	<u>\$ 2,037,306</u>

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 5 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Capital assets not being depreciated - Land	\$ 87,414	\$ -	\$ -	\$ 87,414
Capital assets being depreciated:				
Sewer mains and extensions	9,446,846	1,880,601	-	11,327,447
Buildings and improvements	166,699	-	-	166,699
Equipment	39,803	-	-	39,803
Motor vehicles	28,760	-	-	28,760
Subtotal	9,682,108	1,880,601	-	11,562,709
Accumulated depreciation:				
Sewer mains and extensions	4,843,418	261,166	-	5,104,584
Buildings and improvements	13,753	4,302	-	18,055
Equipment	18,204	5,747	-	23,951
Motor vehicles	21,162	5,752	-	26,914
Subtotal	4,896,537	276,967	-	5,173,504
Net capital assets being depreciated	4,785,571	1,603,634	-	6,389,205
Net capital assets	<u>\$ 4,872,985</u>	<u>\$ 1,603,634</u>	<u>\$ -</u>	<u>\$ 6,476,619</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 63,770
Public safety	46,018
Public works	<u>5,316</u>
Total governmental activities	<u>\$ 115,104</u>

**Construction Commitments** - The Charter Township has ongoing projects at year end. The commitments with contractors are as follows:

Project Name	Spent to Date	Remaining Commitment
Water Extension Project - Phase III	\$ -	\$ 861,122
Water Connections Project - Phase I	353,549	48,251

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	<u>\$ 8,924</u>

The balance owing from the General Fund to the Debt Service Fund resulted from a debt payment made on behalf of the General Fund by the Debt Service Fund, for which the General Fund will reimburse the Debt Service Fund after year end.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Public Safety Fund	<u>\$ 115,000</u>

The transfer from the General Fund to the Public Safety Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. The county installment purchase agreement is also a general obligation of the government. Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Accumulated employee benefits	-	<u>\$ 144,973</u>	<u>\$ 53,808</u>	<u>\$ -</u>	<u>\$ 198,781</u>	<u>\$ 19,878</u>
General obligation bond -						
USDA Bond:	4.75%	\$ 982,000	\$ -	\$ 9,000	\$ 973,000	\$ 10,000
Amount of issue: \$1,000,000						
Maturing through 2042						
Installment purchase contract -						
Fire Land Contract:	6.00%					
Amount of issue: \$39,330						
Maturing through 2011		<u>33,486</u>	<u>-</u>	<u>5,487</u>	<u>27,999</u>	<u>5,723</u>
Total governmental activities		<u>\$ 1,015,486</u>	<u>\$ -</u>	<u>\$ 14,487</u>	<u>\$ 1,000,999</u>	<u>\$ 15,723</u>
debt						
<b>Business-type Activities</b>						
General obligation bond -						
Sanitary Sewage Disposal bonds:	5.00 -					
Amount of issue: \$1,570,000	5.70%					
Maturing through 2020		<u>\$ 1,320,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 1,270,000</u>	<u>\$ 50,000</u>

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 15,723	\$ 47,434	\$ 63,157	\$ 50,000	\$ 68,240	\$ 118,240
2008	15,980	46,946	62,926	50,000	65,640	115,640
2009	17,450	46,458	63,908	75,000	62,390	137,390
2010	17,848	45,922	63,770	75,000	58,490	133,490
2011	14,998	45,422	60,420	75,000	50,578	125,578
2012-2016	68,000	217,718	285,718	475,000	203,862	678,862
2017-2021	87,000	199,290	286,290	470,000	62,190	532,190
2022-2026	110,000	175,988	285,988	-	-	-
2027-2031	140,000	146,444	286,444	-	-	-
2032-2036	177,000	108,860	285,860	-	-	-
2037-2041	225,000	61,180	286,180	-	-	-
2042	112,000	8,386	120,386	-	-	-
Total	\$ 1,000,999	\$ 1,150,048	\$ 2,151,047	\$ 1,270,000	\$ 571,390	\$ 1,841,390

### Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has private insurance for claims relating to workers' compensation and all medical claims, and participates in the Michigan Townships Participating Plan for all other claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### Note 9 - Pension Plan

During the year ended March 31, 2005, the Charter Township joined the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all police employees of the Charter Township, except for one. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

# Charter Township of Coloma, Michigan

## Notes to Financial Statements March 31, 2006

### Note 9 - Pension Plan (Continued)

The obligation to contribute to and maintain the System for police employees was established by negotiation with the Charter Township's police competitive bargaining unit and requires a contribution from the employees of 6 percent of gross wages.

For the year ended March 31, 2006, the Charter Township's annual pension cost of \$10,775 for the plan was equal to the Charter Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

	Fiscal Year Ended March 31	
	2006	2005
Annual pension costs (APC)	\$ 10,775	\$ 49,001
Percentage of APC contributed	100%	100%
Net pension obligation	-	-
	Actuarial Valuation as of	
	2005	2004
Actuarial value of assets	\$ 112,135	\$ 52,662
Actuarial Accrued Liability (AAL)	\$ 130,009	\$ 97,822
Unfunded AAL (UAAL)	\$ (17,874)	\$ (45,160)
Funded ratio	86.3%	53.8%
Covered payroll	\$ 280,638	\$ 273,396
UAAL as a percentage of covered payroll	(6.4)%	(16.5)%

### Note 10 - Defined Contribution Plan

The Charter Township maintains a simplified employee pension plan, which is a defined contribution plan. The employer contributions are made directly to an IRA set up by the employee with a qualified financial institution. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. As established by the Township Board, the Charter Township will match employee contributions (for eligible employees) up to 9 percent of the employee's base pay. In accordance with these requirements, the Charter Township contributed approximately \$22,200 for the year ended March 31, 2006.

## **Required Supplemental Information**

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# Charter Township of Coloma, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes	\$ 156,000	\$ 156,000	\$ 109,350	\$ (46,650)
Licenses and permits	68,000	68,000	91,869	23,869
State sources	405,000	405,000	397,091	(7,909)
Landfill tipping fees	85,000	85,000	56,633	(28,367)
Charges for services	5,400	5,400	10,255	4,855
Interest and rents	15,000	15,000	35,958	20,958
Other revenue	9,000	9,000	88,562	79,562
Total revenue	743,400	743,400	789,718	46,318
<b>Expenditures</b>				
General government:				
Township board	75,900	75,900	73,961	1,939
Supervisor	14,500	14,500	15,332	(832)
Tax administration	63,700	63,700	63,106	594
Clerk	92,700	83,065	89,683	(6,618)
Treasurer	12,400	12,400	13,576	(1,176)
Elections	-	2,250	43	2,207
Cemetery	44,100	44,100	44,088	12
Buildings and grounds	160,000	167,135	167,080	55
Total general government	463,300	463,050	466,869	(3,819)
Public safety:				
Inspection department	75,100	76,110	85,989	(9,879)
Planning Commission	72,000	72,000	75,545	(3,545)
Total public safety	147,100	148,110	161,534	(13,424)
Public works	36,400	36,400	31,441	4,959
Recreational and cultural:				
Library	1,077	1,077	807	270
Community relations	2,525	2,525	2,075	450
Total recreation and cultural	3,602	3,602	2,882	720
Economic development	44,492	44,492	37,469	7,023
Total expenditures	694,894	695,654	700,195	(4,541)
<b>Excess of Revenue Over Expenditures</b>	48,506	47,746	89,523	41,777
<b>Other Financing Uses - Transfers out</b>	115,000	115,000	115,000	-
<b>Net Change in Fund Balance</b>	(66,494)	(67,254)	(25,477)	41,777
<b>Fund Balance - Beginning of year</b>	1,275,718	1,275,718	1,275,718	-
<b>Fund Balance - End of year</b>	<u>\$ 1,209,224</u>	<u>\$ 1,208,464</u>	<u>\$ 1,250,241</u>	<u>\$ 41,777</u>



# Charter Township of Coloma, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Public Safety Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 647,200	\$ 647,200	\$ 654,160	\$ 6,960
Licenses and permits	4,200	4,200	13,748	9,548
State sources	100	100	845	745
Local sources	165,000	165,000	165,000	-
Fines and forfeits	22,000	22,000	23,061	1,061
Interest	1,600	1,600	7,553	5,953
Other revenue	5,500	5,500	13,646	8,146
Total revenue	845,600	845,600	878,013	32,413
<b>Expenditures</b>				
Police	809,741	827,600	863,261	(35,661)
Fire	126,228	126,228	130,195	(3,967)
Ambulance	21,500	21,500	21,492	8
Total expenditures	957,469	975,328	1,014,948	(39,620)
<b>Deficiency of Expenditures Over Revenue</b>	(111,869)	(129,728)	(136,935)	(7,207)
<b>Other Financing Sources</b> - Transfers in	115,000	115,000	115,000	-
<b>Net Change in Fund Balance</b>	3,131	(14,728)	(21,935)	(7,207)
<b>Fund Balance</b> - Beginning of year	382,347	382,347	382,347	-
<b>Fund Balance</b> - End of year	<u>\$ 385,478</u>	<u>\$ 367,619</u>	<u>\$ 360,412</u>	<u>\$ (7,207)</u>

# Charter Township of Coloma, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Road Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 173,500	\$ 155,000	\$ 173,689	\$ 18,689
Interest	4,000	5,500	10,005	4,505
Other revenue	3,000	4,000	3,666	(334)
Total revenue	180,500	164,500	187,360	22,860
<b>Expenditures</b> - Public works	300,000	305,000	255,200	49,800
<b>Deficiency of Revenue Over Expenditures</b>	(119,500)	(140,500)	(67,840)	72,660
<b>Fund Balance</b> - Beginning of year	352,512	352,512	352,512	-
<b>Fund Balance</b> - End of year	<u>\$ 233,012</u>	<u>\$ 212,012</u>	<u>\$ 284,672</u>	<u>\$ 72,660</u>

# Charter Township of Coloma, Michigan

## Note to Required Supplemental Information March 31, 2006

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township supervisor and approved by the Charter Township Board prior to the start of the fiscal year. The budget was amended once during the year in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, Charter Township of Coloma, Michigan incurred two significant budget overruns, as follows:

	Budget	Actual
General Fund - Inspections	\$ 76,110	\$ 85,989
Public Safety Fund - Police	827,600	863,261

To the Members of the Township Board  
Coloma Charter Township  
4919 Paw Paw Lake Road  
Coloma, Michigan 49038

In planning and performing our audit of the financial statements of Coloma Charter Township for the year ended March 31, 2006, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

### **Control Over Manual Journal Entries**

Manual journal entries are used often throughout the year for recording utility billings, accounts receivable, utility adjustments, cash receipts, interest income, reversals, and transfers. These entries are all made by one individual and are not reviewed by any other Township personnel. A review process would strengthen internal controls. We recommend that a policy be adopted, implementing a process in which a separate individual (or possibly the finance committee) would review manual journal entries posted in the general ledger monthly, including the supporting documentation for those entries.

### **Utility System Segregation of Duties and System Recommendations**

There is a lack of segregation of duties in the utility billing system. One individual creates billings and is able to adjust customer accounts without approval. In addition, the utility billing system itself is more manual than necessary. The Township has the capabilities to integrate the utility billing software with the general ledger software. However, the utility billings continue to be manually posted to the general ledger on a monthly basis.

To the Members of the Township Board  
Coloma Charter Township

Sewer rates have not been adjusted since fiscal 2000. We recommend that the Township board continue to reassess these rates on an annual basis to ensure the current rate structure is adequate to cover the costs of general operations of the Sewer Fund. In addition, current rates should also allow the Township to fund future capital repairs. The current fiscal year operations of the fund resulted in an operating loss of approximately \$240,000.

### **Inconsistent Paid Time-off Policy Implementation**

It came to our attention during our testing of compensated absences that the general employees' paid time off is being calculated based on a policy that is no longer in existence. The current policy allows for employees with over 10 years of experience to earn 38 days per year. However, these employees are actually being given 42 days per year. Township policy should either be followed or amended to remove this inconsistency.

### **Building Authority Checking Account**

The checking account for the building authority is not being reconciled to the general ledger. As we reviewed the monthly statements, we noted that the Township is being assessed a small fee on a monthly basis, which is not being recorded on the general ledger. We recommend Township management contact the bank to determine whether this fee is necessary and also begin reconciling this account on a monthly basis.

### **Electronic Cash Receipting**

During our testing of cash receipts, we noted a cash receipt that was never entered into the general ledger and another cash receipt that was written in the cash receipt book at a later date than the date it was actually deposited with the bank. Implementing an electronic cash receipting process may help to avoid some of these types of human errors with cash receipting. For example, cash receipts would be automatically uploaded to the general ledger and dated at the time the customer is present or the receipt received in the mail is entered. Plante & Moran works with many municipalities that use electronic cash receipting modules and we would be happy to assist you in this implementation process upon the board's request.

### **State-shared Revenue**

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

To the Members of the Township Board  
Coloma Charter Township

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State-shared revenue accounts for approximately 50 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2001.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$135,236	\$338,542	\$473,778	\$0
2002	\$125,282	\$341,991	\$467,273	\$6,505
2003	\$106,769	\$347,782	\$454,551	\$19,227
2004	\$64,525	\$344,004	\$408,529	\$65,249
2005	\$51,864	\$352,212	\$404,076	\$69,702
2006	\$41,412	\$358,076	\$399,488	\$74,290

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$40,000 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

### **Local Government Finance Model**

In 2005, the governor created a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force held its first meeting in September 2005. A report from this group is expected in 2006. Unrelated to the Local Government Fiscal Task Force, Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

To the Members of the Township Board  
Coloma Charter Township

### **Interest Rates on Investments**

During our testing of investments, we noted that the Township holds several long-term (greater than one year) certificates of deposit with various financial institutions. Some of these certificates are locked in at interest rates significantly lower than current rates. We discussed rates with representatives of some of the financial institutions and were made aware that there are options on some of the certificates to rollover the certificates into other higher rate certificates on the anniversary dates without being penalized. Some of the rates on the certificates are low enough that the Township may be better off to redeem them early and take the penalty in order to re-invest at current, much higher rates.

### **Upcoming Water Extension Project**

It is our understanding that the Township is considering a large water project to extend water lines across Interstate 94 possibly during fiscal 2008. Through our discussions with management, we became aware that this project may be partially debt financed. Plante & Moran has specialists who are highly experienced in the realm of alternative financing arrangements. We would welcome the opportunity to discuss this project with the Township at your request.

We thank the Township's staff for their assistance during this year's audit. We greatly appreciate the courtesy and cooperation extended to us by you and the members of your Township.

We appreciate the opportunity to serve as the Township's auditors and the opportunity to present these comments and recommendations for your consideration and will be pleased to discuss them further at your convenience.

*Plante & Moran, PLLC*

July 13, 2006